



March, 2008

Assessors

Accountants/Auditors

Dear City/Town Officials:

Your preliminary FY2009 levy limit worksheet and instructions are available on our website at www.mass.gov/dls. This information should assist you in developing your FY2009 budget. All local officials and other interested parties are welcome to view this information.

FY2009 levy limit instructions remain the same as in FY2008 except as indicated below:

- ID. FY2008 Override - do not include specific purpose stabilization fund;
- IIC. FY2009 New Growth - wireless communication carriers;
- IID. FY2009 Override - do not include specific purpose stabilization fund;

Adjustments to your preliminary levy limit should be made to reflect new growth, overrides, debt exclusions, capital expenditure exclusions, etc.

If your community is approaching its levy ceiling, which is 2½ percent of the total full and fair cash value of the taxable property in your community, be aware that you may not be able to use the entire 2½ percent increase in the limit, any new growth or overrides.

If you have any questions on the computation of your levy limit or on the reporting of Proposition 2½ referenda, please contact your community's Bureau of Accounts field representative. If you have any questions on the computation of new growth, please contact Walter Sandoval-Dusza of the Bureau of Local Assessment at (617) 626.4087. Bureau of Accounts field representatives are located in Boston, Worcester and Springfield.

Sincerely,

Gerard D. Perry
Director of Accounts

Marilyn H. Browne, Chief
Bureau of Local Assessment

INSTRUCTIONS FOR DETERMINING FY2009 LEVY LIMIT

I. TO CALCULATE THE FY2008 LEVY LIMIT

- A. FY2007 Levy Limit - FY2007 levy limit exclusive of debt or capital expenditure exclusion, water/sewer exclusion, or other adjustments per special legislation.
- A1. Amended FY2007 Growth - Amended growth for FY2007 certified by the Bureau of Local Assessment after FY2007 tax rate approval but before FY2008 tax rate approval.
- B. 2.5% Annual Increase - IA plus IA1, multiplied by 2.5%.
- C. FY2008 New Growth - FY2008 tax base growth certified by the Bureau of Local Assessment.
- D. FY2008 Override - Override approved by voters for FY2008 or amount appropriated for the same purpose(s), whichever is less. Do not include FY2008 debt exclusions, capital expenditure exclusions and/or specific purpose stabilization fund override.
- E. FY2008 Subtotal - Add lines IA, IA1, IB, IC and ID.
- F. FY2008 Levy Ceiling - FY2008 assessed valuation multiplied by 2.5%.
- I. FY2008 Levy Limit - The lesser of lines IE and IF.

II. TO CALCULATE THE FY2009 LEVY LIMIT

The FY2009 levy limit is determined in the same manner as the FY2008 levy limit.

- A. FY2008 Levy Limit - Amount from I above.
- A1. Amended FY2008 Growth - Amended growth for FY2008 certified by the Bureau of Local Assessment after FY2008 tax rate approval but before FY2009 tax rate approval.
- B. 2.5% Annual Increase - IIA plus IIA1, multiplied by 2.5%.
- C. FY2009 New Growth - FY2009 tax base growth certified by the Bureau of Local Assessment. (Please note [TIR 06-19](#), section IV: *Effect of the Appellate Tax Board's rulings in Bell Atlantic Mobile of Massachusetts Corp. v. Commissioner of Revenue and Related Rulings*. While no longer required to issue centralized valuations of wireless telecommunication carrier's taxable telephone personal property, the Commissioner continues to issue centralized valuations for these carriers until all judicial appeal processes are complete. Consequently, communities electing to locally value these companies must present documentation to the Bureau of Local Assessment as to how the values were determined as well as for any allowable tax base new growth.)

- D. FY2009 Override - Override approved by voters for FY2009 or amount appropriated for the same purpose(s), whichever is less. Do not include FY2009 debt exclusions, capital expenditure exclusions and/or specific purpose stabilization fund override.
- E. FY2009 Subtotal - Add lines IIA, IIA1, IIB, IIC and IID.
- F. FY2009 Levy Ceiling - FY2009 assessed valuation multiplied by 2.5%.
- II. FY2009 Levy Limit - The lesser of lines IIE and IIF.

III. TO CALCULATE THE FY2009 MAXIMUM ALLOWABLE LEVY

- A. FY2009 Levy Limit - Amount from II above.
- B. FY2009 Debt Exclusion(s) - For each debt exclusion approved by the voters, the total principal and interest due and payable in FY2009 on the borrowing must be net of:
- any state or federal reimbursement received for the project (e.g., Massachusetts School Building Authority payment.) See DLS Bulletin 2005-07B dated March 2005 and IGR 06-101 for details;
 - any bond premium received for bonds or notes issued and maturing in FY2005 or later. See DLS Bulletin 2003-20B dated October 15, 2003 for details. Pursuant to M.G.L. Chapter 139 §18 of the Acts of 2006, any bond or bond anticipation note premium received by the city or town on or before July 31, 2003 being reserved and amortized and not applied as part of the tax rate setting process must have been closed to the General Fund as of June 30, 2007.
 - new bond premiums or premium balances being amortized of less than \$2,500 as of June 30, 2007 may be applied in full to reduce the debt exclusion.

Excess/Shortage of Debt Service

Any unspent debt service excluded in FY2008 must be reserved and appropriated for the next fiscal year's debt service associated with the excluded project. The reservation must be shown on the balance sheet. If the amount was not so reserved and appropriated, contact your Bureau of Accounts representative for further instructions.

Reserved debt service for an excluded regional school project must be so appropriated within two fiscal years. For example, the June 30, 2008 balance sheet reserve must be used for either the FY2009 or FY2010 regional school district budget process.

Any excluded debt service expended in excess of the amount excluded will not be credited on form DE-1 in the next fiscal year unless a debt service deficit due to this project is being raised by taxation in the next fiscal year.

Funded Through Other Revenues

If the debt service for the project is funded through user fees, betterments or other local revenues, a community has the option to exclude a lesser amount by reporting the principal and interest net of the local revenue.

Enterprise Fund

For a community operating an enterprise fund (M.G.L. Ch.44, §53F½) or special revenue fund (water per M.G.L. Ch. 41 §69B, others by special acts): If a community chooses to exclude the gross debt service, it must budget that property tax subsidy to the enterprise fund or special revenue fund. The increase in allowable levy attributable to the exclusion cannot be spent for any other purpose.

DE-2 and DE-3

IGR 02-101, Proposition 2½ Debt Exclusions, includes procedures and forms to be used by cities and towns with approved debt exclusions for obtaining a determination about the inclusion of cost increases within an exclusion or approval to use an adjusted exclusion schedule.

- C. FY2009 Capital Expenditure Exclusion(s) - For each capital expenditure exclusion approved by the voters, include the amount approved for FY2009 or amount appropriated for the same purpose(s), whichever is less minus any state or federal reimbursement received for each capital acquisition. For this purpose, a capital expenditure is any item that a community could fund by incurring debt under M.G.L. Ch. 44 §7 or §8, but has elected to fund by appropriation.

Funded Through Other Revenues

If the appropriation for the capital acquisition is funded through user fees, betterments, or other local revenues, a community has the option to exclude the lesser amount by reporting the capital expenditure exclusion net of the local revenue.

Enterprise Fund

For a community operating an enterprise fund (M.G.L. Ch. 44 §53F½) or special revenue fund (water per M.G.L. Ch. 44 §69B, others by special acts): If the community chooses to exclude the gross capital expenditure exclusion, it must budget that property tax subsidy to the enterprise fund or special revenue fund. The increase in allowable levy attributable to the exclusion cannot be spent for any other purpose.

- D. FY2009 Other Adjustment - Applicable amount as adopted by:
1. Special legislation (i.e., Cape Cod Commission assessment, certain Regional Refuse Disposal Management District assessments, etc.).
 2. M.G.L. Ch. 111 §127B½ for septic system repairs and upgrades, lead paint abatements and underground fuel tank removals treated as betterments.
 3. Stabilization Fund. See DLS IGR 04-201 for more details.
- E. FY2009 Water / Sewer - Amounts added pursuant to M.G.L. Ch. 59 §21C(n) for water and sewer debt where rates are reduced by the same amount. See IGR 93-207 for details.
- F. FY2009 Maximum Allowable Levy - Add lines IIIA, IIIB, IIIC, IIID and IIIE. This is the maximum amount you may raise in property taxes for FY2009. Your FY2009 tax levy, as reported on the FY2009 Tax Rate Recapitulation form, CANNOT exceed this amount.

IV. REPORTING REQUIREMENTS

Copies of all Proposition 2½ ballot votes for FY2009 with final voting results (wins and losses) should be submitted within two weeks after the election to:

Division of Local Services
Municipal Data Bank
P.O. Box 9569
Boston, Mass. 02114-9569

To correctly certify your FY2009 levy limit, include the following with your FY2009 Tax Rate Recapitulation form unless previously provided to the Division of Local Services:

- A. New Growth - Tax Base Growth Report (LA-13) in accordance with departmental guidelines.
- B. Amended New Growth - Amended Tax Base Levy Growth Report (LA-13A) in accordance with departmental guidelines.
- C. Overrides
1. Copy of new ballot questions, certified by the Clerk, including date of election and number of votes for and against.
 2. Please identify that the ballot question is an override.
 3. Copy of the appropriation for the purpose if the override is specific rather than general in nature.

D. Debt Exclusions

1. Copy of the ballot question, certified by the Clerk, including date of election and number of votes for and against.
2. Schedule DE-1 "Debt Exclusion Form".
3. Debt schedule for new excludable debt obligations.
4. Schedules DE-2 and/or DE-3, if applicable.
5. Any additional schedule(s) or letter(s) in accordance with departmental guidelines (e.g., settlement sheet for calculation of net debt exclusion when there is a bond premium, special worksheet for bond premium amortization, etc.).

E. Capital Expenditure Exclusions

1. Copy of the ballot question, certified by the Clerk, including date of election and number of votes for and against.
2. Please identify that the ballot question is a capital exclusion.
3. Copy of appropriation(s) vote(s) for the purpose(s) stated in the ballot question.